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September 7, 1999

Ex Parte Presentation

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: In the Matter of Applications for Consent to the Transfer of
Control of Licenses and Section 214 Authorizations from
Ameritech Corporation, Transferor, to SBC Communications Inc.,
Transferee, CC Dkt. No. 98-141 ✓

Dear Ms. Salas:

On August 27, 1999, SBC and Ameritech filed with the Commission revised proposed merger conditions. The revised proposed conditions included extensive changes that addressed comments from the public and the FCC Staff on the prior draft of the proposed conditions, filed July 1, 1999, which were subject to formal public comment. Among other changes, the August 27 proposed conditions included a variety of new and modified provisions expanding upon the requirement that SBC/Ameritech provide advanced services through a structurally separate affiliate. The proposed advanced services conditions are intended to boost local competition and accelerate deployment of advanced services in the 13 SBC/Ameritech states, particularly by providing the SBC/Ameritech incumbent LECs still more incentives to accommodate the needs of all advanced services providers in a non-discriminatory manner.

Some parties and the FCC Staff raised questions and asked for clarification regarding the new advanced services provisions that were filed on August 27, 1999. As a result, SBC and Ameritech are filing, as Attachment 1 to this letter, a revised version of the relevant part of the proposed conditions ("Promoting Equitable and Efficient Advanced Services Deployment"). These revised pages include changes suggested by parties and discussed with the Staff. The changes particularly address the relative responsibilities of the incumbent SBC/Ameritech LEC and its advanced services affiliate in responding to customer trouble reports; joint marketing; billing and collection services; review of transactions between the incumbent LEC and the separate affiliate(s); and the sunset for the separate affiliate. Other clarifying changes, typographical and cross-reference corrections and additions, and limited revisions to address specific concerns raised by the prior conditions appear in the new pages as well. For the Commission's and the public's convenience, a red-lined version of the new pages, showing all changes from the August 27 draft, is provided as Attachment 2.

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In addition to these changes regarding advanced services, the following corrections and clarifications should be made to other portions of the August 27 draft proposed conditions:

In the Index to Proposed Conditions, delete “ATTACHMENTS A-1a, A-2a, A-2b: Performance Measurements” and insert in lieu thereof: “ATTACHMENTS A-1a, A-1b, A-2a, A-2b: Performance Measurements”.

Delete the last sentence of Subparagraph 24a and insert in lieu thereof: “Beginning with the first month that starts at least 270 days after the Merger Closing Date, SBC/Ameritech’s performance shall be used to determine whether SBC/Ameritech shall be obligated to make voluntary payments to the U.S. Treasury, as set forth in the Plan. SBC/Ameritech’s performance in prior months shall not be used to determine whether SBC/Ameritech shall make voluntary payments.”

In Subparagraph 24b, line 3, delete all after the phrase “Merger Closing Date” and insert in lieu thereof: “. Beginning with the first month that starts at least 15 months after the Merger Closing Date, SBC/Ameritech’s performance shall be used to determine whether SBC/Ameritech shall be obligated to make voluntary payments to the U.S. Treasury, as set forth in the Plan. SBC/Ameritech’s performance in prior months shall not be used to determine whether SBC/Ameritech shall make voluntary payments. When implementing the performance measurement business rules in Attachment A-2a within Connecticut, SBC/Ameritech shall substitute ‘SNET’ for ‘SWBT.’”

Delete the last sentence of Subparagraph 24c and insert in lieu thereof: “Beginning with the first month that starts at least 270 days after the Merger Closing Date, SBC/Ameritech’s performance shall be used to determine whether SBC/Ameritech shall be obligated to make voluntary payments to the U.S. Treasury, as set forth in the Plan. SBC/Ameritech’s performance in prior months shall not be used to determine whether SBC/Ameritech shall make voluntary payments. When implementing the performance measurement business rules in Attachment A-2a within the Ameritech States, SBC/Ameritech shall substitute ‘Illinois Bell Telephone Company,’ ‘Indiana Bell Telephone Company,’ ‘Michigan Bell Telephone Company,’ ‘The Ohio Bell Telephone Company,’ or ‘Wisconsin Bell, Inc.,’ as appropriate, for ‘SWBT.’”

In Subparagraph 41a, line 2, delete “Attachment A-2a” and insert in lieu thereof: “Attachments A-2a and A-2b”.

In Subparagraph 46c, insert after the first sentence the following: “The discounted prices shown in Attachment C shall be the prices applicable throughout the duration of the unbundled loop carrier-to-carrier promotion.”

In Paragraph 48, line 7, delete “unbundled loops” and insert in lieu thereof: “promotional resold lines plus promotional end-to-end UNE combinations”.

In Subparagraph 48c, line 10, after "47 U.S.C. § 252(d)(3)", insert "and then in effect".

In the first sentence of Paragraph 63, delete "continue to".

In Attachments A-2a and A-2b, delete in the Business Rules section of Measurement Number 17 the word "cage" and insert in lieu thereof the word "arrangement".

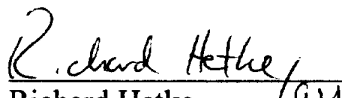
In Attachment C, page C-2, delete the promotional discounted rates for unbundled local loops in Nevada and Oklahoma and insert in lieu thereof the following rates, which reflect new unbundled loop rates approved in those states prior to August 27, 1999:

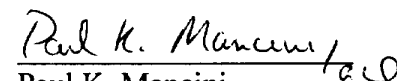
	Current Price	New Price	Discount (%)
Nevada			
Zone 1	\$11.33	\$9.75	13.95
Zone 2	\$18.25	\$11.85	35.07
Zone 3	\$34.75	\$12.75	63.31
		Average:	25.00
Oklahoma			
Zone A	\$35.00	\$16.20	53.71
Zone B	\$18.00	\$13.00	27.78
Zone C	\$13.00	\$11.50	11.54
		Average:	25.01

In the implementation timeline provided as Attachment 3 to SBC's and Ameritech's August 27 filing, in the top box on page 5, delete the text: "(compliance can be met" and insert in lieu thereof: "(if later than 270 days, compliance is required".

Please let us know if you have any questions about this matter.

Yours Sincerely,


Richard Hetke
Senior Counsel
Ameritech Corporation


Paul K. Mancini
General Attorney and
Assistant General Counsel
SBC Communications Inc.

cc: Mr. Atkinson
Mr. Krattenmaker
Mr. Wright
Ms. Carey
Mr. Dever
Ms. Mikes
Ms. Atwood
Mr. Bailey
Mr. Dixon
Ms. Kinney
Ms. Whitesell
Ms. Browne

For purposes of these Conditions, the term "affiliate" shall have the same meaning as in 47 U.S.C. § 153(1).

For purposes of these Conditions, the term "telecommunications carrier" shall have the same meaning as in 47 U.S.C. § 153(44).

PROMOTING EQUITABLE AND EFFICIENT ADVANCED SERVICES DEPLOYMENT

I. Separate Affiliate for Advanced Services

1. SBC/Ameritech shall provide all Advanced Services through one or more affiliates that are structurally separate from the SBC/Ameritech incumbent LECs in accordance with the provisions and schedule set forth below. As described below, Ameritech and SBC shall establish separate Advanced Services affiliates prior to the Merger Closing Date. Upon receiving state approval of interconnection agreements and obtaining any necessary state authority or certification, SBC/Ameritech shall transition the provisioning of Advanced Services to one or more separate Advanced Services affiliates. Nothing in this Section I is intended to prohibit SBC/Ameritech's separate Advanced Services affiliates from providing services that are not Advanced Services in accordance with any applicable federal or state laws or regulations.

2. Advanced Services. For purposes of these Conditions, the term "Advanced Services" means intrastate or interstate wireline telecommunications services, such as ADSL, IDSL, xDSL, Frame Relay, Cell Relay and VPOP-Dial Access Service (an SBC Frame Relay-based service) that rely on packetized technology and have the capability of supporting transmissions speeds of at least 56 kilobits per second in both directions. This definition of Advanced Services does not include (1) data services that are not primarily based on packetized technology, such as ISDN, (2) x.25-based and x.75-based packet technologies, or (3) circuit switched services (such as circuit switched voice grade service) regardless of the technology, protocols or speeds used for the transmission of such services.

3. Section 272 Requirements for the Separate Advanced Services Affiliates. Subject to the transitional mechanisms discussed below, the separate Advanced Services affiliate(s) required by this Section I shall operate in accordance with the structural, transactional, and non-discrimination requirements that would apply to a separate affiliate's relationships with a Bell Operating Company ("BOC") under 47 U.S.C. § 272(b), (c), (e), and (g), as interpreted by the Federal Communications Commission (the "Commission") as of August 27, 1999, except to the extent those provisions are inconsistent with the provisions of this Paragraph, in which case the provisions of this Paragraph shall apply. Except as provided in Subparagraph c, below, SBC/Ameritech shall comply with the Commission's accounting safeguards pursuant to 47 U.S.C. § 272 for all transactions between an incumbent LEC and a separate Advanced Services affiliate and shall continue to do so regardless of, and consistent with, the specific accounting method SBC/Ameritech uses. If the separate Advanced Services affiliate does not deviate (other than in an inadvertent or incidental manner) from the requirements of 47 U.S.C. § 272(b), (c), (e), and (g) except as described in this Paragraph and Subparagraphs below, such separate affiliate(s) shall not be deemed a successor or assign of a BOC or incumbent LEC for purposes of applying 47 U.S.C. §§ 153(4) or 251(h). Moreover, if Advanced Services assets, equipment, customers, systems, or employees are transferred, assigned, or sold from an SBC/Ameritech incumbent LEC to the separate Advanced Services affiliate consistent with these

Conditions, the incumbent LEC's obligations under 47 U.S.C. §§ 251, 252, or 272 shall not be assigned or transferred to the separate Advanced Services affiliate.

a. Any SBC/Ameritech separate Advanced Services affiliate and any SBC/Ameritech incumbent LEC may joint market their services with the services of the other, and provide related customer care on behalf of the other, without being subject to any non-discrimination requirement under these Conditions. Permitted joint marketing by the incumbent LEC that may be conducted on an exclusive basis would include the sale of Advanced Services provided by the Advanced Services affiliate and the transfer of the customer's Advanced Services order or customer identified by the incumbent LEC through inbound or outbound marketing to the affiliate for completion in accordance with Subparagraph 4b(5). When performing these joint marketing activities later than 180 days after the Merger Closing Date in all states except Connecticut, the employees of the incumbent LEC may only access the incumbent LEC's loop information through the same interfaces, Operations Support Systems ("OSS"), processes, and procedures as are made available to unaffiliated telecommunications carriers, as described in Paragraphs 15, 19, and 20. Permitted joint marketing by the Advanced Services affiliate would include completion of orders for Advanced Services and local services by the affiliate (using the same interfaces and processes used by unaffiliated telecommunications carriers as required by these Conditions) and the transfer of customer orders or calls identified by the affiliate to the SBC/Ameritech incumbent LEC for provisioning of the customer's local service order. Permitted joint marketing by either the incumbent LEC or the separate Advanced Services affiliate would include customer contacts up to and including the sale, including responding to customer inquiries, sales, and order-taking. For purposes of these Conditions, "customer care" means the following functions performed after the sale: on-going customer notification of service order progress, response to customer inquiries regarding the status of an order, changes to customer information, and receipt of customer complaints (other than receipt and isolation of trouble reports, such as reports of service outages or service impairment, which shall be processed in accordance with Subparagraph 4(j)).

b. The SBC/Ameritech incumbent LEC may provide billing and collection services to the separate Advanced Services affiliate, provided, however, that if the affiliate's charges are included in the same bill envelope as the charges of the incumbent LEC, the charges of the separate Advanced Services affiliate shall be stated on a separate bill page from the charges of the incumbent LEC. The SBC/Ameritech incumbent LEC may also provide a separate bill for the separate Advanced Services affiliate. In the event that the SBC/Ameritech ILEC provides billing and collection services to the separate Advanced Services affiliate within a state under this Subparagraph, it shall provide the same billing and collection services to unaffiliated providers of Advanced Services in that state on nondiscriminatory rates, terms, and conditions, including start-up costs and timeframes; provided, however, that the bill for the unaffiliated Advanced Services provider may be mailed in a separate bill envelope from the charges of any SBC/Ameritech incumbent LEC or affiliate. The rates charged for providing billing and collection for unaffiliated providers in a separate envelope shall be no higher than the rates for providing billing and collection for the separate Advanced Services affiliate on a separate page in the same envelope. Permitted billing and collection services include payment arrangements, account adjustment, responding to account balance inquiries, account closure, responses to legal action affecting or involving the customer, and receipt and resolution of customer billing and collection complaints. Transactions between the incumbent LEC and a separate Advanced Services affiliate that are permitted by this Subparagraph shall be made pursuant to a written agreement between the incumbent LEC and the affiliate.

c. Any SBC/Ameritech incumbent LEC may provide operations, installation, and maintenance ("OI&M") services to any separate Advanced Services affiliate on a non-discriminatory basis pursuant to a tariff, written affiliate agreement, or approved interconnection agreement, provided that the same services made available to the separate Advanced Services affiliate are made available to unaffiliated providers of Advanced Services on a non-discriminatory basis consistent with the requirements of 47 U.S.C. § 272(c) and the Commission's implementing rules as in effect on August 27, 1999, where not inconsistent with the provisions of this Section. Because such OI&M services are not UNEs and, therefore, are not subject to forward-looking pricing methodologies, they will be priced and made available on a non-discriminatory basis based upon the Commission's affiliate transaction rules. For purposes of these Conditions, OI&M services provided under this Subparagraph shall not include network planning, engineering, design, or assignment services. With respect to these transactions, SBC/Ameritech shall comply with the Commission's Section 272 accounting safeguards and will continue to do so regardless of, and consistent with, the specific accounting method that SBC/Ameritech uses. However, public disclosure of the governing interconnection agreement (including the prices, discounts, terms and conditions associated with that agreement) shall replace the transaction disclosure requirements as applied to the separate Advanced Services affiliate for facilities and services provided pursuant to such agreement. In order to provide for an orderly and efficient transfer of personnel and systems to the separate Advanced Services affiliate, for a period of not more than 180 days after the Merger Closing Date, the incumbent LEC may provide (under a written agreement) network planning, engineering, design and assignment services, including the use of systems and databases associated with these services, on an exclusive basis to the separate Advanced Services affiliate. Processes, systems, and procedures used by the separate Advanced Services affiliate to obtain OI&M services from the SBC/Ameritech incumbent LEC under this Subparagraph shall be available for use by unaffiliated providers of advanced services on a non-discriminatory basis.

d. The incumbent LEC and separate Advanced Services affiliate(s) may separately own facilities or network equipment used specifically to provide Advanced Services ("Advanced Services Equipment"), provided that the separate Advanced Services affiliate shall own (or lease from an entity other than an SBC/Ameritech incumbent LEC) and operate all new Advanced Services Equipment (as defined below) used to provide Advanced Services (including equipment used to expand the capability or capacity of existing Advanced Services Equipment) put into service by SBC/Ameritech later than 30 days after the Merger Closing Date. Repair and/or replacement of Advanced Services Equipment owned by the incumbent LEC shall not be considered to be new Advanced Services Equipment put into service. For purposes of this Section I, Advanced Services Equipment is: (1) DSLAMs or functionally equivalent equipment; (2) spectrum splitters that are used solely in the provision of Advanced Services; (3) packet switches and multiplexers such as ATMs and Frame Relay engines used to provide Advanced Services; (4) modems used in the provision of packetized data; and (5) DACS frames used only in the provision of Advanced Services. Spectrum splitters (or the equivalent functionality) used to separate the voice grade channel from the Advanced Services channel shall not be considered Advanced Services Equipment; any such splitters installed after the Merger Closing Date that are located at the customer premises shall be considered network terminating equipment. In order to allow an efficient transition to the non-discriminatory use of Advanced Services Equipment or an efficient transfer of Advanced Services Equipment to the separate Advanced Services affiliate, any Advanced Service Equipment that was utilized by the incumbent LEC to provide an Advanced Service to its embedded base of customers in a state as of the Merger Closing Date may continue to be utilized by the incumbent LEC and access may be provided (under a written agreement) to the separate Advanced Services affiliate on an exclusive basis within the state during a transitional period. The transitional period shall be until such time as SBC/Ameritech is required to

provide all Advanced Services utilizing the Advanced Services Equipment through a Separate Advanced Services affiliate in that state, in accordance with the provisions of Paragraph 6. Additionally, the incumbent LECs may provide the ADSL service derived from the integrated combination of an unbundled loop, a DSLAM, and spectrum splitters at each end of the unbundled loop where the unbundled loop is also used to provide voice grade service ("Interim Line Sharing") to the separate Advanced Services affiliate(s) on an exclusive basis within any geographic area until line sharing is provided to unaffiliated providers of Advanced Services within the same geographic area, as described in Paragraph 8, provided that the incumbent LEC provides unaffiliated providers of Advanced Services within the same geographic area the Discounted Surrogate Line Sharing Charges, as described in Paragraph 14;

e. The incumbent LEC may (but shall not be required to) transfer or sell to the separate Advanced Services affiliate(s), on an exclusive basis, any Advanced Services Equipment, including supporting facilities and personnel, during a "Grace Period." The Grace Period shall be from August 27, 1999 until the date that is 180 days after the date that the Commission issues a final order, not including any appeals, in the UNE remand proceeding (CC Docket 96-98). In states where regulatory approval is required to transfer Advanced Services Equipment, if SBC/Ameritech seeks such required regulatory approval during the Grace Period, and completes the transfer of Advanced Services Equipment for which regulatory approval is required within 180 days after receiving such approval, then such Advanced Services Equipment shall be deemed to have been transferred during the Grace Period. Such Advanced Services Equipment that may be transferred to the separate affiliate on an exclusive basis is limited to that equipment described in Subparagraph c above and does not include any facilities or equipment deemed to be a mandatory unbundled network element under 47 C.F.R. § 51.319 (as in effect on January 24, 1999).

f. The separate Advanced Services affiliates may use the incumbent LEC's name, trademarks, or service marks on an exclusive basis.

g. Employees of the separate Advanced Services affiliate(s) may, on an exclusive basis, be located within the same buildings and on the same floors as employees of the incumbent LECs.

h. For a transition period of 12 months after the Merger Closing Date, an SBC/Ameritech incumbent LEC may receive and process Advanced Services-related trouble reports and perform related trouble isolation on behalf of a separate Advanced Services affiliate on an exclusive basis.

4. Steady-State Provisioning of Advanced Services. After a transition period (as defined in Subparagraph 4n below), all Advanced Services offered by SBC/Ameritech in the SBC/Ameritech Service Area will be provisioned in accordance with the terms of this Paragraph, which provisions are consistent with the provisions of Paragraph 3. After such transition period, the overall responsibility for providing Advanced Services in the SBC/Ameritech Service Area shall rest with a separate Advanced Services affiliate. In fulfilling those responsibilities a separate Advanced Services affiliate may utilize the facilities and services of an incumbent LEC consistent with the provisions of Paragraph 3. Specifically, with respect to SBC/Ameritech's steady-state provisioning of Advanced Services in the SBC/Ameritech Service Area, this Paragraph describes (1) the activities that an SBC/Ameritech incumbent LEC may undertake, and associated conditions that apply if an incumbent LEC chooses to

perform such activities, and (2) the activities that are the responsibility of a separate Advanced Services subsidiary and which may not be performed by an incumbent LEC.

a. Creating an Inventory of Advanced Services Equipment and Advanced Service Capability. Consistent with the Commission's rules implementing the provisions of 47 U.S.C. § 272(b)(1), the separate Advanced Services affiliate shall be responsible for network planning and engineering functions related to Advanced Services, and these functions may not be provided by an incumbent LEC. The network planning and engineering functions related to Advanced Services that are the responsibility of the separate Advanced Services affiliate and which may not be performed by an incumbent LEC include:

(1) Determining where, when, and how much Advanced Services Equipment needs to be deployed to meet forecasted customer demands, and ensuring that such equipment is compatible with the interconnection services (e.g., unbundled local loops) and/or tariffed services (e.g., DS1 special access service) the separate Advanced Services affiliate will purchase from the incumbent LEC.

(2) Arranging for the purchase of Advanced Services Equipment.

(3) Arranging and negotiating for collocation space with the incumbent LEC under the same terms and conditions, and utilizing the processes that are made available to unaffiliated telecommunications carriers, and arranging for any new Advanced Services Equipment to be delivered.

(4) Inventorying, in systems and databases owned by the separate Advanced Services affiliate, its Advanced Services Equipment deployed and identifying whether such equipment is used or available to provide Advanced Services to customers.

The incumbent LEC may, pursuant to the OI&M provisions of Subparagraph 3c, perform the following tasks that are associated with creating an inventory of Advanced Services Equipment and Advanced Service capability. Processes, systems, and procedures used by the separate Advanced Services affiliate to obtain OI&M services under this Subparagraph shall be available to unaffiliated providers of Advanced Services on a non-discriminatory basis.

(5) The incumbent LEC may install the affiliate's Advanced Services Equipment. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers of Advanced Services.

(6) An incumbent LEC technician may connect together various items of Advanced Services Equipment owned by the affiliate located in virtual collocation space or other space controlled by the incumbent LEC, or may connect various items of Advanced Services Equipment owned by the affiliate located in such space with telecommunications services and/or unbundled network elements ordered by the affiliate (e.g., the incumbent LEC technician could connect a DSLAM to an ATM switch via a DS3 special access service ordered by the affiliate), in accordance with a work order from the affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers.

(7) An incumbent LEC technician may connect together various items of Advanced Services Equipment owned by the affiliate located in physical collocation space, or may connect various items of Advanced Services Equipment owned by the affiliate located in physical collocation space with telecommunications services and/or unbundled network elements ordered by the affiliate, in accordance with a work order from the affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers.

b. Customer Sales Process for New Installations. Consistent with the joint marketing provisions of Subparagraph 3a, the incumbent LEC may, on an exclusive basis, complete the sale of Advanced Services on behalf of the separate Advanced Services affiliate by performing any of the following activities:

(1) On inbound customer calls, the incumbent LEC service representative may discuss Advanced Services with the customer and obtain the customer's agreement to purchase an Advanced Service provided by the separate Advanced Services affiliate.

(2) An incumbent LEC service representative may make outbound calls to discuss Advanced Services with a customer and may obtain the customer's agreement to purchase an Advanced Service provided by the separate Advanced Services affiliate.

(3) During a sales discussion with a customer, an incumbent LEC service representative may review loop information to determine if it is possible to provide an Advanced Service to the customer provided, however, that the incumbent LEC service representative may only have access to the same loop information of the incumbent LEC as is available to unaffiliated telecommunications carriers and may only access such loop information through the same electronic OSS interfaces, Internet access, and/or manual methods, as are made available to unaffiliated telecommunications carriers, in accordance with Paragraphs 15, 19, and 20.

(4) During a sales discussion with a customer, an incumbent LEC service representative may review Advanced Services availability information provided to the incumbent LEC by the separate Advanced Services affiliate to determine whether the affiliate offers a certain Advanced Service in the area where the customer resides.

(5) Upon securing a customer's agreement to purchase an Advanced Service provided by the separate Advanced Services affiliate, the incumbent LEC service representative may obtain from the customer all customer information necessary to complete the order (e.g., name, address, due date, premises access information, services, ISP information, CPE information). The incumbent LEC service representative must pass such information to the separate Advanced Services affiliate for placement of any necessary service order(s) by the affiliate. The separate Advanced Services affiliate shall use the same interfaces for placing Advanced Services orders with the SBC/Ameritech incumbent LEC as are made available to unaffiliated providers of Advanced Services in accordance with Subparagraph 15c.

(6) Consistent with regulatory requirements, the separate Advanced Services affiliate and unaffiliated providers of Advanced Services shall have access to the same

customer-specific information for pre-ordering and ordering, other than credit history, that is available to the incumbent LEC, through the same interfaces that are made available to the incumbent LEC.

c. Design of the Customer's Advanced Service Circuit. Consistent with the Commission's rules implementing the provisions of 47 U.S.C. § 272(b)(1), a separate Advanced Services affiliate shall be responsible for circuit design functions related to a customer's Advanced Services sales order, and these functions may not be performed by an incumbent LEC. The separate Advanced Services affiliate is responsible for the overall design of the Advanced Services circuit, but the incumbent LEC is responsible (and the affiliate is not responsible) for the design of unbundled network elements or telecommunications services used in the Advanced Services circuit where these elements or services are provided by the incumbent LEC. The circuit design functions related to a customer's Advanced Services order that are the responsibility of the separate Advanced Services affiliate include:

(1) The identification of Advanced Services network components, unbundled network elements, telecommunications services and work activities necessary to provision the Advanced Service circuit to the customer's premises;

(2) The determination of the routing of the Advanced Services circuit and the location(s) of the identified Advanced Services network components, unbundled network elements, and telecommunications services;

(3) The creation of a work order to have all such Advanced Services network components, unbundled network elements and telecommunications services made available and all such activities completed. Examples of Advanced Services network components, unbundled network elements and telecommunications services that would be identified in the design stage are (i) unbundled local loops and DS1 special access circuits provided by the incumbent LEC, and (ii) DSLAMs and ATM switch ports provided by the separate Advanced Services affiliate. Examples of work activities that would be identified in the design stage are (i) the conditioning of an unbundled local loop, (ii) the cross-connections required to connect all of the components, and (iii) the installation of Advanced Services Customer Premises Equipment ("CPE") at the customer premises.

d. Assignment of the Advanced Services Equipment Required to Provide the Customer's Advanced Services Circuit. Consistent with the Commission's rules implementing the provisions of 47 U.S.C. § 272(b)(1), the separate Advanced Services affiliate shall be responsible for the assignment functions related to the Advanced Services Equipment used to provision a customer's Advanced Services order, and these functions may not be performed by an incumbent LEC. Examples of the assignment functions related to a customer's Advanced Services order that are the responsibility of the separate Advanced Services affiliate include (i) assignment of the DSLAM equipment, and (ii) assignment of the ATM switch port.

e. Creating and Maintaining the Customer's Record, Including the Customer's Advanced Service Circuit Layout Record. The separate Advanced Services affiliate shall be responsible for creating and maintaining all records associated with the customer's Advanced Services account, and these records may not be created or maintained by an incumbent LEC. These records may be provided to an incumbent LEC for its use in providing joint marketing, customer care, and billing and collection services to the separate Advanced Services affiliate. The records that the separate Advanced Services affiliate shall be responsible for creating and maintaining include:

(1) The record that provides the Advanced Services network components, unbundled network elements, and telecommunications services (including location, identification numbers, etc.) utilized by the separate Advanced Services affiliate to provision the customer's Advanced Services circuit. Where the separate Advanced Services affiliate utilizes the telecommunications services or unbundled network elements of the incumbent LEC, the incumbent LEC will be responsible for all records associated with how such services or unbundled network elements are provisioned. For example, if the affiliate orders (from the incumbent LEC) a DS1 special access service from location A to location Z, (i) the affiliate's circuit layout record will reflect the DS1 service from location A to location Z, and (ii) the incumbent LEC's record will reflect the layout of the circuit utilized to provision the DS1 service (e.g., that the circuit routes from location A through locations B and C before it terminates at location Z).

(2) The record that contains the information necessary to facilitate billing the customer for the Advanced Service being provided to the customer.

f. Ordering, from the Incumbent LEC, the Interconnection Facilities and Telecommunications Services Required to Provide the Customer's Advanced Services Circuit. The separate Advanced Services affiliate shall be responsible for ordering all interconnection facilities (e.g., unbundled local loops) and all telecommunications services (e.g., DS1 special access service) from the incumbent LEC, and the ordering of such facilities and services may not be performed by an incumbent LEC. The incumbent LEC must permit unaffiliated telecommunications carriers to order such facilities and services under the same rates, terms, and conditions, and to utilize the same processes, as are made available to the separate Advanced Services affiliate. In particular, the separate Advanced Services affiliate may utilize only those OSS interfaces for ordering unbundled network elements and other interconnection services as are made available to unaffiliated telecommunications carriers.

g. Connecting and Testing the Network Components and Telecommunications Services Required to Provision the Customer's Advanced Services Circuit. An incumbent LEC technician may, pursuant to the OI&M provisions of Subparagraph 3c, perform the following tasks:

(1) An incumbent LEC technician may, in accordance with a work order received from the separate Advanced Services affiliate, connect the various network components and telecommunications services utilized to provision the customer's Advanced Service circuit. These connections could include (but would not be limited to) the connection from an unbundled loop to a DSLAM port identified by the affiliate, and the connection from a DS1 special access service to an ATM switch port identified by the affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same rates, terms, and conditions to unaffiliated telecommunications carriers, and it must provide unaffiliated telecommunications carriers access to the same process for sending work orders to the incumbent LEC as the incumbent LEC provides to the affiliate.

(2) An incumbent LEC technician may, in accordance with a work order received from the separate Advanced Services affiliate, test the customer's Advanced Service circuit after all of the various network components and telecommunications services utilized to provision the circuit have been connected together. In performing this test, the technician may use whatever test systems or equipment are typically made available to the technician. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the

same rates, terms, and conditions to unaffiliated telecommunications carriers, and it must provide unaffiliated telecommunications carriers access to the same process for sending work orders to the incumbent LEC as the incumbent LEC provides to the affiliate.

h. Installing and Testing any CPE Associated with the Customer's Advanced Service. An incumbent LEC technician may, pursuant to the OI&M provisions of Subparagraph 3c, install and test CPE at the customer premises on behalf of the separate Advanced Services affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same rates, terms, and conditions to unaffiliated telecommunications carriers.

i. Advising the Customer of the Status of the Order. Consistent with the customer care provisions of Subparagraph 3a, an incumbent LEC service representative may, on an exclusive basis on behalf of the separate Advanced Services affiliate, provide ongoing customer notification of service order progress and respond to customer inquiries regarding the status of the customer's order. The incumbent LEC service representative must obtain all information regarding the status of the customer's Advanced Service order from the separate Advanced Services affiliate.

j. Receipt and Isolation of Troubles Affecting the Customer's Advanced Service. In the event that an end user customer contacts the SBC/Ameritech incumbent LEC to report a trouble that may affect an Advanced Service provided by the separate Advanced Services affiliate, the incumbent LEC may perform the following trouble-related functions for the affiliate, provided that the same functions and related processes and procedures provided to the affiliate are made available to unaffiliated providers of Advanced Services in the same state on a non-discriminatory basis:

(1) Where the customer contacting the incumbent LEC is a customer of the incumbent LEC, the incumbent LEC may perform a line test of facilities the incumbent LEC uses to provide its services to the customer, to indicate whether the trouble is associated with or affects services provided to the customer by the incumbent LEC. If the incumbent LEC's line test indicates that the trouble is associated with or affects services provided to the customer by the incumbent LEC, the incumbent LEC may resolve the trouble.

(2) Where the customer contacting the incumbent LEC is a customer of the incumbent LEC, and the incumbent LEC's line test of facilities the incumbent LEC uses to provide its services to the customer indicates that the trouble is not associated with and does not affect services provided to the customer by the incumbent LEC, the incumbent LEC may transfer the trouble report (including the results of any line test performed by the incumbent LEC) or refer or transfer the end user customer to the separate Advanced Services affiliate. If the incumbent LEC provides the separate Advanced Services affiliate such referral or transfer services, the incumbent LEC shall provide the same referral or transfer services to an unaffiliated provider of Advanced Services, if known, on a non-discriminatory basis. In the event that the incumbent LEC uses an electronic system to transfer trouble reports to its affiliate in a state, (i) the affiliate shall pay its appropriate share of the costs of that system in accordance with the Commission's accounting safeguards pursuant to 47 U.S.C. § 272 in accordance with Paragraph 3 above and (ii) the incumbent LEC shall offer to develop in that state, within 12 months of a written contract for development of such access, nondiscriminatory access to the same electronic system for unaffiliated Advanced Services providers. In the event that the incumbent LEC uses an electronic system to transfer trouble reports to its affiliate, the incumbent LEC shall also provide unaffiliated Advanced Services providers the option of receiving trouble reports through a

public Internet connection. If more than one Advanced Services provider requests access to the same electronic system used by the incumbent LEC to transfer trouble reports to its affiliate, each provider entering into a written contract to obtain such access will pay its proportionate share of the costs associated with developing the access based upon the number of providers requesting access. If the requested access has already been developed for another provider, SBC/Ameritech shall provide the access without a development charge. SBC/Ameritech shall develop and pay for a training package, and the CLEC shall pay for the costs of delivery of the training.

(3) Where the customer contacting the incumbent LEC is not a customer of the incumbent LEC, but contacts the SBC/Ameritech incumbent LEC to report a trouble affecting an Advanced Service, the incumbent LEC shall not perform testing on the line, but will refer the customer to the customer's Advanced Services provider, if known, for resolution of the trouble.

k. Repair of Troubles. A separate Advanced Services affiliate is responsible for maintaining and repairing any Advanced Services Equipment it owns. To fulfill this responsibility, a separate Advanced Services affiliate may contract with an incumbent LEC, pursuant to the OI&M provisions of Subparagraph 3c, to maintain and repair Advanced Services Equipment owned by the affiliate. If the incumbent LEC provides these maintenance and repair services for Advanced Services Equipment to the separate Advanced Services affiliate, it must provide the same services under the same rates, terms, and conditions to unaffiliated providers of Advanced Services. All maintenance and repair that is provided by the incumbent LEC, including maintenance and repair in connection with its provision of interconnection, unbundled network elements, or resold services, shall be made available to the separate Advanced Services affiliate using the same interfaces, processes, and procedures as are made available to unaffiliated providers of Advanced Services.

l. Servicing the Customer's Account. Consistent with the joint marketing and customer care provisions of Subparagraph 3a and the billing and collection provisions of Subparagraph 3b, an incumbent LEC service representative may, on an exclusive basis on behalf of the separate Advanced Services affiliate, perform certain tasks to service the account of a separate Advanced Services affiliate customer. Specifically, these tasks may include:

(1) Receiving customer calls to change an account (e.g., change of name, change of billing address).

(2) Receiving and resolving customer complaints or inquiries.

(3) Interacting with the customer or changing the customer's account information to respond to legal actions affecting or involving the customer.

(4) Interacting with the customer to respond to account balance inquiries and to make payment arrangements.

m. Billing and Collecting for the Advanced Service. An SBC/Ameritech incumbent LEC may provide billing and collection services consistent with the provisions of Subparagraph 3b.

n. Transitional Mechanisms. In recognition of the fact that the SBC/Ameritech incumbent LECs provided most Advanced Services prior to the Merger Closing Date and to minimize

any disruption to the efficient and timely delivery of Advanced Services to customers, several transitional mechanisms have been adopted to permit an orderly transition to the steady-state provisioning of Advanced Services described in Subparagraphs (a) through (m) above.

(1) Interim Line Sharing. Pursuant to the provisions of Subparagraph 3d, an incumbent LEC may provide, on an exclusive basis, Interim Line Sharing (as defined in Subparagraph 3d) to a separate Advanced Services affiliate. The duration of this transition mechanism, with respect to new activations, is dependent on when the Commission requires SBC/Ameritech to provide line sharing to unaffiliated telecommunications carriers.

(2) State Approvals for Providing New Activations of Advanced Services. Pursuant to the provisions of Subparagraphs 6a, 6b, and 6d, an incumbent LEC may continue to provide new activations of Advanced Services in a state until 30 days after the separate Advanced Services affiliate has received all required state certifications and approvals to provide Advanced Services. The affiliate is required to file for all such approvals prior to the Merger Closing Date.

(3) State Approvals for Providing Advanced Services to Embedded Advanced Services Customers. Pursuant to the provisions of Subparagraphs 6a, 6c, and 6e, an incumbent LEC may continue to provide Advanced Services to embedded customers in a state for 270 days after the Merger Closing Date or, if later, until 30 days after SBC/Ameritech have obtained all necessary approvals in that state to transfer or assign the embedded customers to the separate Advanced Services affiliate. The affiliate is required to file for all such approvals prior to the Merger Closing Date, and the incumbent LEC is required to file for any required tariff approvals no later than 5 business days after the Merger Closing Date.

(4) Network Planning, Engineering, Design, and Assignment. Pursuant to the provisions of Subparagraph 3c, the incumbent LEC may, on an exclusive basis, provide network planning, engineering, design and assignment functions to the separate Advanced Services affiliate for a period of no more than 180 days after the Merger Closing Date.

(5) Advanced Services Equipment. Pursuant to the provisions of Subparagraph 3d, the incumbent LEC may continue to own Advanced Services Equipment that was installed no later than the date that is 30 days after the Merger Closing Date. After SBC/Ameritech is required to provide all Advanced Services through a separate Advanced Services affiliate in accordance with the provisions of Paragraph 6, if the incumbent LEC permits the separate Advanced Services affiliate to use such equipment (except for such equipment that is used to provide Interim Line Sharing) the incumbent LEC must permit unaffiliated telecommunications carriers to use the equipment under the same terms and conditions.

(6) Loop Information. Pursuant to the provisions of Subparagraph 3a, the incumbent LEC when engaged in the joint marketing permitted by Subparagraph 3a, may access loop information through an OSS interface that is not available to unaffiliated telecommunications carriers for a period of no more than 180 days after the Merger Closing Date. During this transition, unaffiliated telecommunications carriers will be able to access the same loop information as is available to the incumbent LEC but will do so through a different interface.

5. Requests for State Approval and Schedule for Establishing Advanced Services Affiliates. SBC/Ameritech will establish the separate Advanced Services affiliate(s) required by Section I in accordance with the following provisions and schedule:

a. In any state where SBC/Ameritech will be providing Advanced Services on the Merger Closing Date, the separate Advanced Services affiliate(s) shall, prior to the Merger Closing Date: negotiate and file for approval pursuant to 47 U.S.C. §§ 251 and 252 interconnection agreement(s) with the affiliated incumbent LEC setting forth terms, conditions and prices for the provision of interconnection, telecommunications services, and network elements that the affiliated incumbent LEC shall provide to the separate Advanced Services affiliate for the purposes of the separate affiliate's provision of Advanced Services. Such agreement(s) shall be sufficiently detailed to permit telecommunications carriers to exercise effectively their "pick-and-choose" rights under 47 U.S.C. § 252(i) and the Commission's rules implementing that section. A telecommunications carrier may pick and choose the specific types of OI&M services that the incumbent LEC has agreed to provide to the separate Advanced Services affiliate in that state. If an SBC/Ameritech incumbent LEC provides OI&M services to a separate Advanced Services affiliate within a state, the incumbent LEC shall offer those OI&M services to unaffiliated telecommunications carriers within the same state on a non-discriminatory basis.

b. In any state where SBC/Ameritech will be providing Advanced Services on the Merger Closing Date, the separate Advanced Services affiliate(s) shall, prior to the Merger Closing Date, consistent with state law, file for any required state certifications (for intrastate services) or approvals (for both interstate and intrastate services) necessary for the separate affiliate to provide Advanced Services.

c. In any state where an SBC/Ameritech incumbent LEC will provide Advanced Services on the Merger Closing Date, SBC/Ameritech shall establish prior to the Merger Closing Date a separate Advanced Services affiliate.

d. In any state where SBC/Ameritech provided Advanced Services through a separate Advanced Services affiliate on August 27, 1999, except Connecticut, such affiliate shall be in compliance with the provisions of Paragraph 3 prior to the Merger Closing Date. In Connecticut, SBC/Ameritech shall establish, prior to the Merger Closing Date, a separate Advanced Services affiliate in compliance with the provisions of Paragraph 3, to comply with the provisions of Subparagraphs 6b and 6d.

e. In any state where SBC/Ameritech does not provide Advanced Services on the Merger Closing Date, SBC/Ameritech shall incorporate and establish a separate Advanced Services affiliate to provide Advanced Services prior to providing Advanced Services in that state.

f. Notwithstanding any other provision of this Paragraph or Paragraph 6, below, SBC/Ameritech may provide an Advanced Service through an SBC/Ameritech incumbent LEC (or other entity that does not comply with the provisions of Paragraph 3) in any state until SBC/Ameritech has obtained all necessary state authorizations and approvals to provide the Advanced Service through the separate Advanced Services affiliate in that state. SBC/Ameritech shall make good-faith efforts to secure the necessary state authorizations and approvals.

6. Providing Advanced Services through the Separate Advanced Services Affiliate. SBC/Ameritech shall phase-in the provision of Advanced Services through its separate Advanced Services affiliate(s), as follows:

a. Ameritech States. In the Ameritech States, SBC/Ameritech shall provide all xDSL Advanced Services through a separate Advanced Services affiliate(s) no later than the Merger Closing Date. SBC/Ameritech shall provide new activations of all other Advanced Services (i.e., Frame Relay) in the Ameritech States through a separate Advanced Services affiliate(s) no later than 30 days after the later of (i) the Merger Closing Date, or (ii) Commission and/or state commission approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services. Any non-xDSL Advanced Services provided by the Ameritech incumbent LEC on either a retail or wholesale basis in the Ameritech States prior to the Merger Closing Date shall be transferred to a separate Advanced Services affiliate no later than the later of: (i) 30 days after state approval of all necessary agreements with the affiliated incumbent LEC that are necessary to carry out the provisions of this Section I, including any interconnection agreement(s), (ii) 30 days after approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services, or (iii) 270 days after the Merger Closing Date. Any tariffs necessary for the separate Advanced Services affiliate to provide those Advanced Services that were provided by the incumbent LEC on the Merger Closing Date shall be filed no later than 5 business days after the Merger Closing Date.

b. SBC States - New Activations for Advanced Services Customers that are Providers of Internet Services. In each SBC State, SBC/Ameritech shall provide new activations of Advanced Services to customers that are providers of Internet services through a separate Advanced Services affiliate no later than 30 days after the later of (i) state approval of all agreements with the affiliated incumbent LEC that are necessary to carry out the provisions of this Section I, including any interconnection agreement(s), or (ii) Commission approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services. Any tariffs necessary for the separate Advanced Services Affiliate to provide such Advanced Services shall be filed no later than 5 business days after the Merger Closing Date. The terms of this Subparagraph b are established in recognition of, and are expressly contingent upon, the fact that the FCC has determined that Advanced Services used to provide Internet services are interstate access services. In the event such services are determined to be intrastate, and state certification is required to provide new activations of Advanced Services to customers that are providers of Internet services through a separate Advanced Services affiliate, the obligations of this Subparagraph b shall apply 30 days after state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide new activations of Advanced Services to customers that are providers of Internet services.

c. SBC States - Incumbent LEC's Embedded Base of Advanced Services Customers That Are Providers of Internet Services. In each SBC State, any Advanced Services provided by SBC/Ameritech's incumbent LEC in that state to customers that are providers of Internet services shall be transferred or assigned, along with the associated customer relationship, to the separate Advanced Services affiliate no later than the later of: (i) 30 days after such state approval of all necessary agreements as discussed in Subparagraph b, (ii) 30 days after Commission approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services, or (iii) 180 days after the Merger Closing Date. Any tariffs necessary for the separate Advanced Services Affiliate to provide such Advanced Services shall be filed no later than 5 business days after the Merger Closing Date. The terms of this Subparagraph c are established in recognition of, and are expressly contingent upon, the fact that the Commission has determined that Advanced Services used to provide

Internet services are interstate access services. In the event such services are determined to be intrastate, and state certification is required to transfer Advanced Services provided by SBC/Ameritech's incumbent LEC to customers that are providers of Internet services to the separate Advanced Services affiliate, the obligations of this Subparagraph c shall apply 30 days after state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services to customers that are providers of Internet services.

d. SBC States - New Activations for Other Advanced Services Customers. In each SBC State, SBC/Ameritech shall provide new activations of Advanced Services to customers that are not providers of Internet services through a separate Advanced Services affiliate no later than 30 days after the later of: (i) state approval of all agreements with the affiliated incumbent LEC necessary to carry out the provisions of this Section I, including any interconnection agreement(s), (ii) state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services in that state, or (iii) approval of any federal or state tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services. Such tariffs shall be filed no later than 3 days after state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services in that state.

e. SBC States - Incumbent LEC's Embedded Base of Other Advanced Services Customers. In each SBC State, any Advanced Services provided by SBC/Ameritech's incumbent LEC in that state to customers that are not providers of Internet services shall be transferred or assigned, along with the associated customer relationship, to the separate Advanced Services affiliate no later than the later of: (i) 30 days after state approval of any necessary certification, tariffs, or any other required state authorization, (ii) 30 days after state approval of all necessary agreements, including any agreement to transfer or assign customers from the incumbent LEC to the separate Advanced Services affiliate, or (iii) 180 days after the Merger Closing Date. Any necessary tariffs shall be filed no later than 3 days after state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services in that state. It is understood that in Connecticut the duration of the transition period may be prolonged as a consequence of state-law restrictions relating to Advanced Services on SNET and its affiliates.

f. Existing Tariffs. To comply with the requirements of Subparagraphs a, b, and d above, SBC/Ameritech shall, no later than 3 days after obtaining all necessary certifications, authorizations, and/or approvals to provide new activations of an Advanced Service through a separate Advanced Services affiliate in a state, (i) file tariff changes with the Commission and/or the state commission to terminate the offering of new activations of such Advanced Service by the incumbent LEC, and (ii) cease initiating any marketing or sales of new activations of such Advanced Service from the tariffs of the incumbent LEC. Notwithstanding the requirements of Subparagraphs a, b, and d above, until such tariff changes are approved by the Commission and/or the state commission (including any mandatory customer notification period), the SBC/Ameritech incumbent LEC shall comply with such tariffs as then in effect if the incumbent LEC receives a request for a new activation of an Advanced Service.

g. Transition Period. In the SBC/Ameritech Service Areas in each SBC/Ameritech State, until such time as SBC/Ameritech is required, pursuant to the provisions of Subparagraphs a, b, or d, above, to provide new activations of Advanced Services through the separate Advanced Services affiliate in that state, SBC/Ameritech shall be permitted to provision such services through

SBC/Ameritech's incumbent LEC in that state in the following manner, which is intended to be the "functional equivalent" of provisioning service through a separate Advanced Services affiliate.

(1) Either the SBC/Ameritech incumbent LEC or the separate Advanced Services affiliate may joint market Advanced Services to customers;

(2) Except for orders that contain ADSL service that uses Interim Line Sharing, as provided for in Paragraph 8, customer orders for Advanced Services obtained by the incumbent LEC must be passed to the separate Advanced Services affiliate for processing. For customer orders that contain ADSL service that uses Interim Line Sharing, as provided for in Paragraph 8, the incumbent LEC may, on an exclusive basis pursuant to a written agreement with the separate Advanced Services affiliate, process the order;

(3) Except for orders that contain ADSL service that uses Interim Line Sharing, as provided for in Paragraph 8, the separate Advanced Services affiliate shall order the facilities and/or services needed to provide the Advanced Service from the incumbent LEC. Within 180 days of the Merger Closing Date, the separate Advanced Services affiliate shall order such facilities utilizing the same interfaces with the incumbent LEC as the incumbent LEC provides to unaffiliated providers of Advanced Services. For customer orders that contain ADSL service that uses Interim Line Sharing, as provided for in Paragraph 8, the incumbent LEC may, on an exclusive basis pursuant to a written agreement with the separate Advanced Services affiliate, order the facilities needed to provide the ADSL service; and

(4) Any Advanced Services orders received by the separate Advanced Services affiliate shall be passed to the incumbent LEC, which shall provide Advanced Services to the SBC/Ameritech customer. The SBC/Ameritech incumbent LEC may lease from the separate Advanced Services affiliate any Advanced Services Equipment required for the incumbent LEC to provide any Advanced Service.

h. Affiliate Transactions. SBC/Ameritech shall maintain internal records for affiliate transactions pursuant to interconnection agreements between each SBC/Ameritech incumbent LEC and a separate Advanced Services affiliate. Such internal records shall document, on a state-by-state basis, the prices, quantities, and other material terms of transactions made pursuant to the interconnection agreement, including, without limitation, the charges assessed for the provision of unbundled local loops and the conditioning of such loops to the affiliate. If not made publicly available, such internal records for the first 6 months following the Merger Closing Date shall be made available for review by the independent auditor selected to perform the Advanced Services audit required by Paragraph 67, under procedures that are the same, in all relevant respects, as those established for the collocation audit under Subparagraphs 40a through 40g of these Conditions. For the period between 6 and 36 months after the Merger Closing Date, such information that is not made publicly available shall be reviewed annually as part of the agreed-upon procedures engagement audit required under Paragraph 67. Upon completion of each review, the auditor shall issue an attestation report resulting in a positive opinion (with exceptions noted) as to whether or not the internal records furnished to the auditor demonstrate that the prices and other terms and conditions of the transactions between the SBC/Ameritech incumbent LEC and the separate Advanced Services affiliate(s) conform to the terms and conditions set forth in the interconnection agreements between the parties.

7. With respect to any state certification, state tariff approval or other state authorization required by this Section I, a Commission Order specifically determining that state certification, state tariff approval or other authorization is not required for the separate Advanced Services affiliate to provide certain interstate Advanced Services to certain types of customers shall apply in lieu of state certification, state tariff approval or other authorization for such interstate Advanced Services and such customers.

8. Provisioning of Interim Line Sharing to the Separate Advanced Services Affiliate. Notwithstanding the non-discrimination provisions of Paragraph 3 above, an SBC/Ameritech incumbent LEC may provide Interim Line Sharing (as defined in Paragraph 3d) to a separate Advanced Services affiliate on an exclusive basis in accordance with the following provisions:

a. The SBC/Ameritech incumbent LEC may provide Interim Line Sharing capability to the separate Advanced Services affiliate within a certain geographic area for the provision of Advanced Services activated prior to the time that line sharing is provided to unaffiliated providers of Advanced Services within the same geographic area.

b. The SBC/Ameritech incumbent LEC shall establish and make available through interconnection agreements with the separate Advanced Services affiliate (and with unaffiliated telecommunications carriers pursuant to the provisions of Paragraph 14) surrogate charges for the costs incurred in making available an unbundled local loop capable of providing Advanced Services (such as ADSL) in combination with voice grade services ("Surrogate Line Sharing Charges"). For purposes of this Section I, "voice grade service" means the transmission of an analog signal within an approximate bandwidth of 300 to 3000 Hz. The Surrogate Line Sharing Charges shall be 50 percent of the lowest monthly recurring charge, 50 percent of the lowest non-recurring line or service connection charge, and 100 percent of the lowest non-recurring service order charge (i.e., there is no discount for the service order charge), for the unbundled local loop then effective that have been established by the state commission pursuant to 47 U.S.C. § 252(d)(1). The lowest non-recurring charges used in calculating the Surrogate Line Sharing Charges shall be the set of non-recurring charges contained in a tariff and/or single interconnection agreement for which the sum of the non-recurring line or service connection charge and the non-recurring service order charge is the lowest. The SBC/Ameritech incumbent LEC shall charge the separate Advanced Services affiliate these Surrogate Line Sharing Charges for the affiliate's shared use of a local loop if: (i) the SBC/Ameritech incumbent LEC is able to provision the Advanced Service of the separate Advanced Services affiliate over the same loop that the incumbent LEC is using to provide voice grade services on either a retail or wholesale basis, and (ii) the Advanced Service is within a spectral mask that is compatible with the incumbent LEC's voice grade service and the filters used by the incumbent LEC to provide Interim Line Sharing. The compatibility standard in the previous sentence shall be presumptively met if the Advanced Service utilizes a technology for which the spectral mask complies with an industry-recognized standard that would be compatible with both (i) the incumbent LEC's voice grade service, and (ii) the filters specified in Annex E to ANSI standard T1.413-1998. For any other technology, the separate Advanced Services affiliate may meet the compatibility standard by showing that the technology (i) would be compatible with the incumbent LEC's voice grade service and (ii) is compatible with the filters specified in Annex E to ANSI standard T1.413-1998. Surrogate Line Sharing Charges shall not apply retroactively to charges for an unbundled loop incurred prior to the effective date of the Surrogate Line Sharing Charges, but will apply to charges incurred after the effective date of the Surrogate Line Sharing Charges for both (i) recurring charges for qualifying loops in service, and (ii) recurring and non-recurring charges for new installations of qualifying loops. In order to be entitled to the Surrogate Line Sharing Charges,

however, the SBC/Ameritech separate Advanced Services affiliate must certify to the incumbent LEC that it is not providing voice grade service in conjunction with Advanced Services over the broadband channel. The Surrogate Line Sharing Charge may be billed through credits, true-ups, or other billing mechanisms provided, however, that such credits, true-ups or other mechanisms are applied within 60 days of the initial billing for the service.

9. The separate Advanced Services affiliate(s) required by this Section shall, to the extent that they provide interstate exchange access services, be regulated by the Commission as non-dominant carrier(s) with respect to the provision of Advanced Services. The separate Advanced Services affiliate shall comply with the Commission's rules regarding tariffs, including the Commission's rule that non-dominant telecommunications carriers that provide interstate exchange access services are subject to a permissive detariffing requirement.

10. The Performance Measurements required by Section VII of these Conditions shall be reported separately to the Commission, on a proprietary basis and in accordance with Paragraph 1 of Attachment A, by each SBC/Ameritech incumbent LEC for each separate Advanced Services affiliate required by this Section I to the extent that such Performance Measurements are applicable. If the Commission orders that the SBC/Ameritech incumbent LECs must provide line sharing to unaffiliated providers of Advanced Services, then within 10 business days of the effective date of such an order SBC/Ameritech shall propose to the Chief of the Common Carrier Bureau an additional performance measurement, or an additional sub-measurement, to measure SBC/Ameritech's performance with respect to the provisioning of line sharing. Within 90 days of receiving written notice that the Chief of the Common Carrier Bureau agrees that a line sharing measurement should be implemented, SBC/Ameritech shall implement the new measurement consistent with the provisions of Section VII.

11. In setting the annual bonuses paid to officers and management employees of a separate Advanced Services affiliate, SBC/Ameritech shall give substantial weight to the performance of the separate Advanced Services affiliate.

12. Separate Advanced Services Affiliate Sunset Provisions. The requirements of this Section I requiring SBC/Ameritech to provide Advanced Services through one or more separate affiliates, as described in this Section, shall terminate immediately upon any of the following events:

a. In each SBC/Ameritech State, the date that is the later of (i) 42 months after the Merger Closing Date or (ii) 36 months after the incumbent LEC ceases to process trouble reports for the separate Advanced Services affiliate on an exclusive basis under the provisions of Subparagraph 3h.

b. The date upon which (i) legislation enacted by the U.S. Congress that specifically prohibits the Commission from requiring incumbent LECs to establish separate affiliates for the provision of Advanced Services becomes law, and (ii) the Commission modifies its rules and regulations in a manner that materially changes the substance of what is covered in this Section I (e.g., if the Commission were to establish rules that prohibit an incumbent LEC from providing joint marketing to an affiliate on an exclusive basis, or rules that prohibit an incumbent LEC from providing OI&M services to an affiliate on a non-discriminatory basis, either such change would be an example of a change that would be considered a material change); or

c. The date upon which a final and non-appealable judicial decision by a court of competent jurisdiction determines that, as a result of one or more of the permitted activities between the

SBC/Ameritech incumbent LEC and the separate Advanced Services affiliate described in Subparagraphs 3a-f, the separate Advanced Services affiliate must be deemed a successor or assign of the incumbent LEC for the purposes of applying 47 U.S.C. §§153(4) or 252(h). However, such a judicial decision that is based solely on some other conduct of, or relationship between, the SBC/Ameritech incumbent LEC and/or the separate Advanced Services affiliate shall not be a basis for terminating any of the separate affiliate provisions of this Section I.

13. Upon the date that SBC/Ameritech determines, as a result of one or more of the provisions of Paragraph 12 above, to no longer provide Advanced Services through a separate affiliate in a particular state, then SBC/Ameritech shall be required to comply with the following provisions in that state until the date that is 48 months after the Merger Closing Date:

- a. The Discounted Surrogate Line Sharing Charge provisions of Paragraphs 8b and 14, if the SBC/Ameritech incumbent LEC uses Interim Line Sharing (as defined in Paragraph 3d) to provide new activations of ADSL service;
- b. The Advanced Services OSS discount provisions of Paragraph 18;
- c. The SBC/Ameritech retail operations within the incumbent LEC shall use the EDI interface discussed in Paragraph 15c, below, for processing a substantial majority (i.e., at least 75 percent of pre-order inquiries and at least 75 percent of orders) of Advanced Services;
- d. SBC/Ameritech retail operations within the incumbent LEC shall only use those OSS for the provisioning of Advanced Services that are available to unaffiliated telecommunications carriers (except for ADSL service provisioned using Interim Line Sharing);
- e. The local loop information provisions of Paragraphs 19 and 20;
- f. The incumbent LEC shall provide unaffiliated telecommunications carriers with the same OI&M services at the customer premises that it provides for its own retail operations in the same SBC/Ameritech State with respect to the offering of Advanced Services; and
- g. The incumbent LEC shall be required to provide the enhanced OSS interfaces for provisioning Advanced Services as discussed in Paragraph 15, below.

II. Discounted Surrogate Line Sharing Charges

14. The terms for Surrogate Line Sharing Charge discounts offered by SBC/Ameritech to unaffiliated providers of Advanced Services for inclusion in interconnection agreements shall reflect the following:

- a. In any geographic area where the SBC/Ameritech incumbent LEC either (i) provides Interim Line Sharing for new activations of ADSL service to a separate Advanced Services affiliate per the provisions of Paragraph 8, above, or (ii) utilizes Interim Line Sharing to provide new activations of ADSL service provided by the incumbent LEC, the incumbent LEC shall charge unaffiliated providers of Advanced Services the same Surrogate Line Sharing Charges as described in Paragraph 8 for use of an unbundled local loop in the same geographic area, where: (i) the unaffiliated provider purchases the unbundled local loop to provide Advanced Services only and does not use the

unbundled local loop to provide any voice grade service; (ii) the unaffiliated provider's Advanced Services are provided to an end user customer to whom the incumbent LEC provides voice grade service, on either a retail or wholesale basis, at the same premises; and (iii) the unaffiliated provider's Advanced Services are within a spectral mask that would, if line sharing were available, be compatible with the incumbent LEC's voice grade service and the filters used by the incumbent LEC to provide Interim Line Sharing. The compatibility standard in the previous sentence shall be presumptively met if the unaffiliated provider's Advanced Services utilize a technology for which the spectral mask complies with an industry-recognized standard that would be compatible with both (i) the incumbent LEC's voice grade service, and (ii) the filters specified in Annex E to ANSI standard T1.413-1998. For any other technology, the unaffiliated provider of Advanced Services may meet the compatibility standard by showing that the technology (i) would be compatible with the incumbent LEC's voice grade service and (ii) is compatible with the filters specified in Annex E to ANSI standard T1.413-1998.

b. Surrogate Line Sharing Charges shall not apply retroactively to charges for an unbundled loop incurred prior to the effective date of the Surrogate Line Sharing Charges, but will apply to charges incurred after the effective date of the Surrogate Line Sharing Charges for both (i) recurring charges for qualifying loops in-service, and (ii) recurring and non-recurring charges for new installations of qualifying loops. SBC/Ameritech may provide the Surrogate Line Sharing Charges discounts through credits, true-ups, or other billing mechanisms, provided, however, that such credits, true-ups or other mechanisms are applied within 60 days of the initial billing for the service. To obtain the Surrogate Line Sharing Charges, a telecommunications carrier must provide written notification (which may include e-mail) to SBC/Ameritech identifying the unbundled loops that it is using or will use to provide a qualifying Advanced Service. For unbundled loops ordered after the effective date of the Surrogate Line Sharing Charges, notification must be given at the time the order is placed. For unbundled loops in service prior to the effective date of the Surrogate Line Sharing Charges, the Surrogate Line Sharing Charges will only apply to unbundled loops for which such notification is received within 30 days of the effective date of the Surrogate Line Sharing Charges. The discounted Surrogate Line Sharing Charges provided by SBC/Ameritech to unaffiliated providers of Advanced Services shall end in a geographic area in an SBC/Ameritech State on the date when SBC/Ameritech begins providing line sharing to such unaffiliated providers in that same geographic area.

c. Unaffiliated providers of Advanced Services that obtain unbundled local loops for the Surrogate Line Sharing Charges shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops provided at the Surrogate Line Sharing Charges in accordance with Subparagraph a above. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided for the Surrogate Line Sharing Charges are used in accordance with Subparagraph b above. Unaffiliated providers of Advanced Services that obtain unbundled local loops for the Surrogate Line Sharing Charges shall agree to cooperate in the performance of such audits and inspections. Audit information shall be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech shall prohibit those personnel from disclosing audit-related, customer-specific or company-specific proprietary information to SBC/Ameritech retail personnel. If SBC/Ameritech conducts any audit of an unaffiliated Advanced Service provider's use of unbundled local loops in a state, under this Subparagraph c, SBC/Ameritech's annual compliance report for the calendar year in which the investigation was concluded shall describe the uses of shared loops by SBC/Ameritech's separate Advanced Services affiliate(s) in the same state.

d. Any unaffiliated provider of Advanced Services found by the appropriate state commission to have violated the use restrictions of Subparagraph a or that fails to cooperate in an audit may be denied the Surrogate Line Sharing Charges on any unbundled local loop for which the use restrictions or audit provisions are violated. In addition, any such provider that intentionally and repeatedly violates the use restrictions of Subparagraph a may be denied the Surrogate Line Sharing Charges for unbundled local loops ordered or installed after the date of such a finding by a state commission.

e. SBC/Ameritech shall waive all non-recurring charges for new installations of line sharing on behalf of unaffiliated providers of Advanced Services, where such new installations are (i) ordered not less than 60 days after the date on which line sharing is offered to unaffiliated providers of Advanced Services in the geographic area ("the line sharing date"), with an installation date of no later than 90 days after the line sharing date and (ii) installed to replace an unbundled local loop provided at the Surrogate Line Sharing Charges at the same customer premises to the same provider of Advanced Services. Unless the Commission establishes other notification requirements for deployment of line sharing, SBC/Ameritech shall provide unaffiliated providers of Advanced Services not less than 60 days advance notice of the line sharing date.

III. Advanced Services OSS

15. SBC/Ameritech shall provide telecommunications carriers the following options for pre-ordering and ordering components used to provide digital subscriber line ("xDSL") and other Advanced Services (Section I of these Conditions):

a. Until SBC/Ameritech develops and deploys enhancements to its existing Datagate and EDI interfaces as described in Subparagraph 15c below: (i) SBC/Ameritech shall provide telecommunications carriers in the SBC/Ameritech Service Area within the SBC States, except for the SBC/Ameritech Service Area within Connecticut, not later than 180 days after the Merger Closing Date, with access to the same pre-order interface(s) utilized by SBC/Ameritech's retail operations (including the retail operations that will be part of the separate Advanced Services affiliate(s) described in Section I) in those states to obtain theoretical local loop length information or, in the alternative, SBC/Ameritech's retail operations shall utilize the same Datagate and/or Verigate pre-order interfaces that are available to unaffiliated telecommunications carriers to obtain theoretical local loop length information, and (ii) SBC/Ameritech shall provide unaffiliated telecommunications carriers access to Ameritech's existing EDI interface for ordering within each of the Ameritech States.

b. SBC/Ameritech shall provide unaffiliated telecommunications carriers with direct access to SORD, and the Ameritech and SNET equivalent service order processing systems, for pre-ordering and ordering xDSL and Advanced Services, as described in Paragraph 29 below.

c. Within 14 months after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 90 days), SBC/Ameritech shall develop and deploy, in the SBC/Ameritech Service Area, except for the SBC/Ameritech Service Area within Connecticut, in advance of industry standards, both enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components. Both interfaces are to be used in common by SBC/Ameritech's incumbent LEC service representatives (when engaged in permitted joint marketing), by the separate Advanced Services affiliate(s), and by unaffiliated

telecommunications carriers. In Connecticut, these enhancements to the existing Datagate or EDI interfaces shall be developed and deployed in conjunction with the introduction of the uniform application-to-application OSS interfaces described in Paragraph 26 below. In the interim, SBC/Ameritech may continue to use its existing interfaces for the pre-ordering and ordering of xDSL and other Advanced Services components, as they may be updated during the interim period. SBC/Ameritech shall provide telecommunications carriers authorized to provide local services in the SBC/Ameritech Service Area ("CLECs") with 12 months advance notice of any plans to no longer make the enhancements available; provided, however, that this notice requirement shall expire 48 months after the Merger Closing Date. Milestones applicable to the development and deployment of enhancements to the existing Datagate and EDI interfaces as set forth above are as follows:

(1) Phase 1 – SBC/Ameritech shall (i) complete a publicly available Plan of Record, which shall consist of an overall assessment of SBC's and Ameritech's existing Datagate and EDI interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC/Ameritech's plan for developing and deploying enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components, and (ii) notify all unaffiliated telecommunications carriers that have a current interconnection agreement with SBC/Ameritech of the Plan of Record. The target date for completion of Phase 1 is 60 days after the Merger Closing Date.

(A) Not later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$10,000 per business day per state in voluntary payments to the U.S. Treasury if the Chief of the Common Carrier Bureau determines in writing (after any appeals to the Commission, which may be taken) that SBC/Ameritech has failed to submit a Plan of Record that is in substantial compliance with the requirements of this Paragraph by the target date in any SBC/Ameritech State. Voluntary payments for all SBC/Ameritech States shall not exceed total of \$100,000 per business day for a failure to submit a Plan of Record that is in substantial compliance with the requirements of this Paragraph. The pendency of proceedings under this Subparagraph shall not delay the commencement of Phase 2 after the target date for Phase 1.

(B) If, within 90 days after the Merger Closing Date, one or more CLEC(s) requests enhancements to SBC/Ameritech's existing Datagate or EDI interfaces that are different from what is contained in the Plan of Record, then SBC/Ameritech shall begin Phase 2. If, within 90 days after the Merger Closing Date, no CLEC requests enhancements to SBC/Ameritech's existing Datagate or EDI interfaces that are different from what is contained in the Plan of Record, then Phase 2 will be considered completed and SBC/Ameritech shall file a notice with the Secretary of the Commission (within 3 business days after the date that is 90 days after the Merger Closing Date) and begin to develop and deploy the enhancements contained in the Plan of Record, pursuant to Phase 3 below.

(2) Phase 2 – SBC/Ameritech shall work collaboratively with CLECs, in a single series of workshop sessions (in multiple locations, if necessary), to obtain written agreement on enhancements to the existing Datagate or EDI interfaces identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of process changes and deployment schedule. The target date for completion of Phase 2 is 30 days after the target date for completion of Phase 1 if there is a written agreement, or 90 days after the target date for completion of Phase 1 if

Phase 2 issues are sent to an arbitrator for resolution. Successful completion of Phase 2 is dependent upon the full cooperation of all participants in consummating a written agreement with SBC/Ameritech on the work to be done. The Chief of the Common Carrier Bureau shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement, SBC/Ameritech shall file a copy of that agreement with the Chief of the Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within 90 days after the start of Phase 2, SBC/Ameritech shall and participating CLECs may notify the Chief of the Common Carrier Bureau and submit a list of the remaining unresolved issues in dispute, and SBC/Ameritech shall submit a plan for development and deployment of enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components that incorporates what was agreed to with the CLECs in the workshop sessions. The Chief of the Common Carrier Bureau shall (a) direct SBC/Ameritech to implement the plan for development and deployment of enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components as proposed by SBC/Ameritech in its entirety, (b) authorize SBC/Ameritech and the CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration, or (c) extend the collaborative period to continue efforts to obtain a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop do not reach a written agreement in Phase 2, in no event shall work begin in Phase 3 until SBC/Ameritech is directed by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of enhancements to the existing Datagate and EDI interfaces as proposed by SBC/Ameritech in its entirety, or SBC/Ameritech is directed by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, in consultation with subject matter experts selected by the arbitrator from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief extends that deadline. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs.

(3) Phase 3 – SBC/Ameritech shall develop and deploy, using a phased-in approach, the enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components consistent with the written agreement obtained in Phase 2 or the arbitrator's decision in Phase 2. To the extent that SBC/Ameritech has completed negotiation of a uniform change management process in accordance with Paragraph 32, SBC/Ameritech shall follow that uniform change management process in Phase 3. The target date for completion of Phase 3 is 10 months after completion of Phase 2, with the exception of Connecticut where the target date shall be consistent with that for the deployment of the uniform application-to-application OSS interfaces described in Paragraph 26 below. The target dates in Phase 3 shall begin to run on the date the plan for Phase 3 is finalized, which may be the date of execution of the written agreement in Phase 2, the date on which the Chief of the Common Carrier Bureau directs SBC/Ameritech in writing to implement SBC/Ameritech's plan in its entirety, or the effective date of a final decision by the arbitrator in Phase 2

resolving all outstanding issues, whichever date is applicable. Within 3 business days of the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission.

(A) If a CLEC contends that SBC/Ameritech has not developed and deployed enhancements to the existing Datagate or EDI interfaces in substantial compliance with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, it may notify the Chief of the Common Carrier Bureau and request consolidated binding arbitration. Thereafter, the Chief of the Common Carrier Bureau may require SBC/Ameritech and the CLEC(s) to submit the dispute to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines in writing that arbitration of the dispute is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, in consultation with subject matter experts selected by the arbitrator from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief of the Common Carrier Bureau extends that deadline. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs. If the arbitrator determines that SBC/Ameritech has not developed and deployed enhancements to the existing Datagate or EDI interfaces in substantial compliance with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, SBC/Ameritech shall pay up to \$10,000 per business day per state in voluntary payments to the U.S. Treasury, as directed by the arbitrator. Voluntary payments shall not exceed a total of \$100,000 per business day for all SBC/Ameritech States.

(B) Voluntary payments of up to \$10,000 per business day per state shall be due only with respect to time periods during which SBC/Ameritech is in non-compliance and that are one or more of the following: (i) a period for which SBC/Ameritech acknowledges a failure to meet the relevant target date; (ii) within the first 3 business days after the relevant missed target date; or (iii) between the date on which the arbitrator has issued a final decision that SBC/Ameritech is in non-compliance and the date on which SBC/Ameritech files a notice with the Chief of the Common Carrier Bureau that it has corrected that non-compliance. In addition, if the arbitrator finds in writing that SBC/Ameritech intentionally and willfully failed to comply with the relevant requirement(s), and the Chief of the Common Carrier Bureau concurs in writing with such a finding, SBC/Ameritech shall make an additional payment of up to \$100,000, as determined by the arbitrator, for each business day that SBC/Ameritech was not in compliance. SBC/Ameritech shall have the right to appeal any such finding to the Commission.

(4) Notwithstanding anything else in these Conditions, the total of all voluntary payments relating to any or all milestones established under this Subparagraph 15c shall not exceed \$20 million.

16. Within the SBC/Ameritech Service Area, SBC/Ameritech shall provide unaffiliated telecommunications carriers with access to the OSS enhancements and additional interfaces required by Paragraph 15 of these Conditions for not less than 36 months after they are deployed.

17. Payments made to the U.S. Treasury in connection with the above OSS enhancements and additional interfaces shall not be reflected in the revenue requirement of an SBC/Ameritech incumbent LEC.

18. OSS Discounts. Until SBC/Ameritech has developed and deployed OSS options for pre-ordering and ordering xDSL and other Advanced Services components in satisfaction of Subparagraph 15c of these Conditions and the EDI interface specified in that Subparagraph is used by the separate Advanced Services affiliate for pre-ordering and ordering a substantial majority (i.e., at least 75 percent of pre-order inquiries and at least 75 percent of orders) of the Advanced Services components the separate Advanced Services affiliate uses in the relevant geographic area, SBC/Ameritech's incumbent LECs within the SBC/Ameritech Service Area shall, beginning 30 days after the Merger Closing Date, make available through inclusion of appropriate terms in interconnection agreements with telecommunications carriers, a discount of 25 percent from the recurring and nonrecurring charges (including 25 percent from the Surrogate Line Sharing Charges, if applicable) that otherwise would be applicable for unbundled local loops used to provide Advanced Services in the same relevant geographic area.

a. Such discounts shall not apply retroactively to charges incurred prior to the effective date of the discounts, but will apply to charges incurred after the effective date of the discount for both (i) recurring charges for qualifying loops in-service, and (ii) recurring and non-recurring charges for new installations of qualifying loops. By way of example, if the Surrogate Line Sharing Charges are \$8.00/month, the charge would be discounted to \$6.00/month in areas where this OSS discount is applicable. SBC/Ameritech may provide promotional discounts through credits, true-ups, or other billing mechanisms, provided, however, that such credits, true-ups or other mechanisms are applied within 60 days of the initial billing for the service. To obtain such discounts, a telecommunications carrier must provide written notification to SBC/Ameritech identifying the unbundled loops that it is using to provide an Advanced Service.

b. Unaffiliated providers of Advanced Services that obtain OSS discounts on unbundled local loops pursuant to this Paragraph shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops on which they are receiving the OSS discounts to provision an Advanced Service in compliance with the provisions of this Paragraph. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided under the OSS discount are used in accordance with this Paragraph. Unaffiliated providers of Advanced Services that obtain OSS discounts shall agree to cooperate in the performance of such audits and inspections. Audit information shall be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech shall prohibit those personnel from disclosing audit-related, customer-specific or company-specific proprietary information to SBC/Ameritech retail personnel.

IV. Access to Loop Information for Advanced Services

19. In the SBC/Ameritech Service Area SBC/Ameritech shall provide unaffiliated telecommunications carriers with non-discriminatory access to the same local loop information for the deployment of xDSL and Advanced Services that is available to SBC/Ameritech's retail operations, including the retail operations that will be part of the separate Advanced Services affiliate(s) described in Section I. The systems and information described in this Section IV shall be made available by

SBC/Ameritech for 36 months after the systems and information are made available to unaffiliated telecommunications providers.

20. Without regard to the local loop information for the deployment of xDSL and Advanced Services that is available to SBC/Ameritech's retail operations, SBC/Ameritech shall provide unaffiliated telecommunications carriers the following local loop information for the deployment of xDSL and Advanced Services in the SBC/Ameritech Service Area:

a. SBC/Ameritech shall provide unaffiliated telecommunications carriers with non-discriminatory, electronic pre-order OSS access to the theoretical loop length on an individual address basis (e.g., whether the loop length is approximately 12,000 feet or less from the customer premises to the central office; between 12,000 and 17,500 feet from the customer premises to the central office; or greater than 17,500 feet from the customer premises to the central office). This information shall be made available no later than the Merger Closing Date in the SBC/Ameritech Service Area within all SBC States, except for Connecticut and Nevada. In the SBC/Ameritech Service Area within Connecticut, it shall be made available by no later than 22 months after the Merger Closing Date, and in the SBC/Ameritech Service Area within Nevada it shall be made available no later than 180 days after it is made available in the SBC/Ameritech Service Area within California. This information shall be made available in the SBC/Ameritech Service Area within all Ameritech States no later than 22 months after the Merger Closing Date.

b. SBC/Ameritech shall provide unaffiliated telecommunications carriers with non-discriminatory, electronic pre-order Internet access to the theoretical loop length based upon a zip code of end users in a wire center (e.g., how many end users' loops are approximately 12,000 feet or less from the customer premises to the central office; between 12,000 and 17,500 feet from the customer premises to the central office; or greater than 17,500 feet from the customer premises to the central office within a zip code). This information shall be made available at no additional charge, beginning 12 months after the Merger Closing Date, in the SBC/Ameritech Service Area.

c. SBC/Ameritech shall provide unaffiliated telecommunications carriers in the SBC/Ameritech Service Area with non-discriminatory access to loop make-up information regarding the capability of loops to support Advanced Services, whether such access is available by electronic or manual means. Loop make-up information is the information contained on an individual loop (i.e., a single loop to a specific address) record, which typically contains: (1) the actual loop length; (2) the length by gauge; and (3) the presence of repeaters, load coils, or bridged taps; and may include, if noted on the individual loop record, (4) the approximate location and number of bridged taps, load coils, and repeaters; (5) the presence of pair-gain devices, digital loop carriers, or digital added main lines, and (6) the presence of disturbers in the same or adjacent binder groups. No later than 90 days after the Merger Closing Date, SBC/Ameritech shall, in response to an address-specific written request from a telecommunications carrier or from SBC/Ameritech's separate Advanced Services affiliate(s) described in Section I, provide the loop make-up information that is available in SBC/Ameritech's individual loop records for that specific address. SBC/Ameritech may provide non-discriminatory access to loop make-up information manually, in which case the response time to a written request may reflect the manual effort that may be required to retrieve loop make-up information. A written request for loop make-up information shall specify, on an individual address basis, precisely what loop make-up information (from the list above) is desired. A request for all loop make-up information on all loops at all addresses within a state, city, county, municipality, zip code, or wire center would not satisfy this requirement. SBC/Ameritech shall be permitted to price the provision of loop make-up information to

recover from requesting telecommunications carriers SBC/Ameritech's actual costs, on a time and materials basis, for providing loop make-up information, since the furnishing of this information is not the provision of a UNE. If SBC/Ameritech provides loop make-up information through an electronic means in the SBC/Ameritech Service Area within any state, then SBC/Ameritech shall not be required to provide the same loop make-up information through a manual means in the SBC/Ameritech Service Area within that state.

V. Loop Conditioning Charges and Cost Studies

21. No later than 180 days after the Merger Closing Date, SBC/Ameritech shall file cost studies and proposed rates for conditioning xDSL loops in the SBC/Ameritech Service Area within each SBC/Ameritech State that has not already started or completed cost proceedings for these services. SBC/Ameritech's cost studies and proposed rates shall be prepared in compliance with the methodology set forth in the Commission's and the relevant state commission's pricing rules for UNEs. The cost-based rates resulting from these proceedings shall be effective in that state.

VI. Non-discriminatory Rollout of xDSL Services

22. SBC/Ameritech shall take the following steps to ensure that its deployment of xDSL services (viewed on an aggregated basis without regard to the entity through which SBC/Ameritech provides those services) in the SBC/Ameritech Service Area is not discriminatory:

a. In consultation with the relevant state commission, if the state commission chooses to engage in such consultation, SBC/Ameritech shall within 90 days of the Merger Closing Date reasonably classify all SBC/Ameritech wire centers as either urban or rural wire centers for purposes of this Paragraph.

b. SBC/Ameritech shall identify the 10 percent of urban wire centers within the SBC/Ameritech Service Area in each SBC/Ameritech State that have the greatest number of low-income subscribers, as estimated by using the latest available census data ("Low Income Urban Pool"). After the date that is 180 days after the Merger Closing Date, by the time SBC/Ameritech has deployed xDSL in at least 20 urban wire centers in a particular state, and for at least 36 months thereafter, at least 10 percent of the urban wire centers in which SBC/Ameritech deploy xDSL in that state shall be wire centers from the Low Income Urban Pool.

c. SBC/Ameritech shall identify the 10 percent of rural wire centers within the SBC/Ameritech Service Area in each SBC/Ameritech State that have the greatest number of low-income subscribers, as estimated by using the latest available census data ("Low Income Rural Pool"). After the date that is 180 days after the Merger Closing Date, by the time SBC/Ameritech has deployed xDSL in at least 20 rural wire centers in a particular state, and for at least 36 months thereafter, at least 10 percent of the rural wire centers in which SBC/Ameritech deploys xDSL in that state shall be wire centers from the Low Income Rural Pool.

ENSURING OPEN LOCAL MARKETS

VII. Carrier Interconnection Performance Plan (Including Performance Measurements)

23. In the SBC/Ameritech Service Area, SBC/Ameritech shall implement the Carrier Interconnection Performance Plan ("the Plan") described herein and in Attachment A. The Plan has two elements. First, it requires SBC/Ameritech to report, on a monthly basis and in each of the SBC/Ameritech States, its performance in 20 measurement categories (with sub-measurements) that address functions that may have a particularly direct effect on SBC/Ameritech's local competitors and their customers. This information will be made available on an Internet website and will provide the Commission, state commissions, and carriers new tools to verify and benchmark SBC/Ameritech's performance in these measurement and submeasurement categories. Second, the Plan obligates SBC/Ameritech to make voluntary payments of up to \$1.125 billion over 3 years to the U.S. Treasury based on SBC/Ameritech's performance in the 20 measurement categories. These payments may reach as much as \$250 million in the first year, \$375 million in the second year, and \$500 million in the third year. The \$1.125 billion total voluntary payment for which SBC/Ameritech may be liable may be reduced by up to \$125 million if SBC/Ameritech completes the OSS commitments provided for in these Conditions ahead of schedule. See Attachment A, Paragraph 11. The Plan does not limit the authority of any state to adopt additional or different state performance monitoring requirements or associated remedies.

24. The Plan shall be effective for the SBC/Ameritech Service Area within each SBC/Ameritech State, except for Connecticut, until the earlier of (i) 36 months after the date that SBC/Ameritech is first potentially obligated to make Plan payments for that state, or (ii) the first date on which SBC/Ameritech is authorized to provide in-region, interLATA services in that state pursuant to 47 U.S.C. § 271(d)(3). The Plan shall be effective for the SBC/Ameritech Service Area within Connecticut for 36 months after the date that SBC/Ameritech is first potentially obligated to make Plan payments in Connecticut. Not later than 10 business days after the relevant deadlines under this Section VII, SBC/Ameritech shall file with the Secretary of the Commission notices regarding its satisfaction of the deadlines listed below.

a. In the SBC/Ameritech Service Area within Arkansas, Kansas, Missouri, Oklahoma, and Texas, SBC/Ameritech shall implement the performance measurements shown